

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

**COMMENTS OF PERIODICAL MAILERS IN RESPONSE TO
MEMORANDUM OF UNITED STATES POSTAL SERVICE
FOR RECONSIDERATION**

Periodicals Mailers' hereby reply to the "Memorandum of the United States Postal Service on Reconsideration and Request for Expedition" (hereafter "Memorandum") filed on December 20, 2000. Members of the Periodicals Mailers coalition will also be joining in the comments of Direct Marketing Association, *et al.*, on the revenue requirement issues, and some will be filing individual comments on discrete matters. These comments urge that, irrespective of its determinations on the issues presented for reconsideration, the Commission should not disturb the Periodicals rates recommended on November 13, 2000 and implemented on January 7, 2001.

The Postal Service Memorandum requests that the Commission reconsider three revenue requirement issues: (1) its elimination of the \$200 million "field reserve," (2) its reduction of supervisory costs by \$97 million, and (3) its reduction in the requested contingency allowance. The Postal Service challenges the propriety of these aspects of the Recommended Decision on the basis of the record before the Commission, and, in addition, it challenges the

¹ As throughout this case, "Periodicals Mailers" refers to the Alliance of Nonprofit Mailers, American Business Media, Coalition of Religious Press Associations, Dow Jones & Company, Inc., Magazine Publishers of America, Inc., National Newspaper Association, The McGraw-Hill Companies, Inc., and Time Warner, Inc.

Commission's legal authority to reduce the contingency allowance. For the reasons set forth in the joint comments of DMA, *et al.*, Periodicals Mailers submit that these three modifications to the Postal Service's proposed test year revenue requirement are supported by record evidence and within the authority of the Commission.²

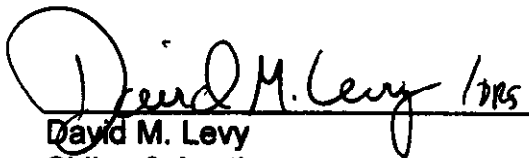
The Postal Service does not provide guidance to the Commission on what specific rate adjustments it desires in the event that the Commission accepts some or all of its arguments. It has not requested reconsideration of the rates for which it initially sought approval, nor could it in logic do so, since it has accepted during the course of this proceeding myriad adjustments and modifications to its originally filed evidence, and since it in essence modified its original request by expressing on the record its support for a single-digit increase for Periodicals. Tr. 43/18776.

Periodicals Mailers commend the Postal Service for its willingness throughout this case to consider new information and to develop new procedures in order to reduce the Periodicals increase to the single-digit level, as we commend the Commission for recommending a rate increase that meets this test. The Commission stressed the importance of the evidence showing the severe impact that a double-digit rate increase would have on the periodicals industry. In the event that the Commission agrees with any of the Postal Service requests for enhancement of its revenue requirement, it should not lose sight of this evidence and should prevent a Periodicals rate increase larger than that

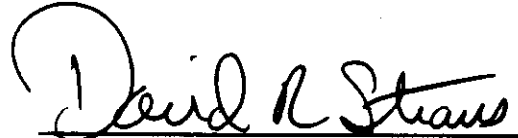
² The Postal Service Memorandum also presents three additional matters for reconsideration: (1) the forecast revenue from additional ounces of First-Class mail, (2) the forecast revenue from Bound Printed Matter, and (3) the rates for nonprofit Standard mail. This reply takes no position on those issues (*but see* the separate reply of the Alliance of Nonprofit Mailers).

agreed to by the Postal Service and recommended by the Commission's Decision.³

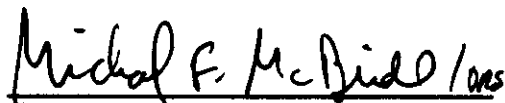
Respectfully submitted,



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³ For example, although Periodicals Mailers disagree with the Postal Service's contention that its "Field Reserve" (that at page 8 it incongruously calls an "actual test year expense") should be included in a modified revenue requirement, the evidence upon which the Postal Service relies demonstrates that any modification to include this reserve should be to institutional costs only. How can the Commission attribute an expenditure that, according to the testimony relied upon by the Postal Service, might be used to cover shortfalls in forecast productivity increases, or for the information platform infrastructure, or perhaps for the advertising of new product introductions, or for other undefined and unforeseeable purposes? See Memorandum at 10.

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January 12, 2001

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the following document upon all participants in this proceeding in accordance with section 12 of the Rules of Practice.

David R. Straus

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